

**2003**

**ANNUAL FINANCIAL**

**REPORT PACKAGE**

*For*

**Classified**

**Water/Sewer Districts**



Washington  
***State Auditor***  
Brian Sonntag



# ANNUAL REPORT

\_\_\_\_\_  
(Name)

\_\_\_\_\_  
MCAG No.

Submitted pursuant to RCW 43.09.230

to the

STATE AUDITOR'S OFFICE



FOR THE FISCAL YEAR ENDED \_\_\_\_\_, 20\_\_\_\_\_

Certified correct this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_

to the best of my knowledge and belief:

NAME\_\_\_\_\_

TITLE\_\_\_\_\_

PREPARED BY\_\_\_\_\_

TELEPHONE NUMBER\_\_\_\_\_

FAX NUMBER\_\_\_\_\_

E-MAIL ADDRESS\_\_\_\_\_

HOME PAGE ADDRESS\_\_\_\_\_



**CLASSIFIED UTILITIES  
REPORTING PACKAGE**

Table of Contents

Local Government Audit Managers .....	1-1
Classified Utilities and MCAG Numbers .....	2-1
Management Discussion and Analysis (MD&A).....	3-1
Statement of Net Assets (or Balance Sheet).....	4-1
Statements of Revenues, Expenses and Changes in Fund Net Assets (or Fund Equity).....	5-1
Statement of Cash Flows .....	6-1
Notes to Financial Statements .....	7-1
Required Supplementary Information (RSI) .....	8-1
Supplemental Schedules .....	9-1

**THIS PAGE LEFT BLANK INTENTIONALLY.**

# State Auditor's Office

## Local Government Audit Managers

### **BELLINGHAM TEAM**

San Juan, Skagit, Whatcom  
Chris Johnson  
Audit Manager  
Phone: 360-676-2165  
FAX: 360-676-2091

### **KING COUNTY TEAM**

King (Counties, Schools, Special Purpose Districts)  
Chris Cortines, CPA  
Audit Manager  
Phone: 253-872-2622, ext. 106  
FAX: 253-856-7517

### **LYNNWOOD TEAM**

Island, Snohomish  
Sadie Armijo  
Audit Manager  
Phone: 425-672-1335  
FAX: 425-672-1277

### **OLYMPIA TEAM**

Grays Harbor, Lewis, Pacific, Thurston  
Kelly Collins, CPA  
Audit Manager  
Phone: 360-725-5376  
FAX: 360-664-0157

### **PORT ORCHARD TEAM**

Clallam, Jefferson, Kitsap, Mason  
George Amburn  
Audit Manager  
Phone: 360-895-6133  
FAX: 360-895-6138

### **PULLMAN TEAM**

Adams, Asotin, Garfield, Lincoln, Spokane (South), Whitman  
Debbie Pennick, CPA  
Audit Manager  
Phone: 509-335-5868  
FAX: 509-335-3714

### **SEATTLE TEAM**

King (Cities)  
Jim Griggs, CPA  
Audit Manager  
Phone: 253-872-2641, ext. 105  
FAX: 253-856-7517

### **SPOKANE TEAM**

Pend Oreille, Spokane (North), Stevens  
Allina Johnson, CPA  
Audit Manager  
Phone: 509-456-2700  
FAX: 509-456-4476

### **TACOMA TEAM**

Pierce  
Mark Rapozo, CPA  
Audit Manager  
Phone: 253-593-2047, ext. 111  
FAX: 253-597-4146

### **TRI CITIES TEAM**

Benton, Columbia, Franklin, Walla Walla  
Tim Nies, CPA  
Acting Audit Manager  
Phone: 509-734-7105  
FAX: 509-734-7108

### **VANCOUVER TEAM**

Clark, Cowlitz, Skamania, Wahkiakum  
Jasen McEathron  
Audit Manager  
Phone: 360-260-6408, ext. 104  
FAX: 360-260-6417

### **WENATCHEE TEAM**

Chelan, Douglas, Ferry, Grant, Okanogan  
Scott Renick  
Audit Manager  
Phone: 509-662-0440  
FAX: 509-664-6396

### **YAKIMA TEAM**

Kittitas, Klickitat, Yakima  
Susan Remer, CPA  
Audit Manager  
Phone: 509-454-7848  
FAX: 509-575-2166

**THIS PAGE LEFT BLANK INTENTIONALLY.**



## MCAG NUMBERS

Your district MCAG identification number is below. Identify your number and use in the upper left hand corner on all report forms.

<u>MCAG</u>	<u>CLASSIFIED SEWER DISTRICTS</u>
2122	Beacon Hill Sewer District
2123	Douglas County Sewer District No. 1
0273	Hazel Dell Sewer District
2160	Kitsap Sewer District No. 5
2176	Lake Stevens Sewer District
2133	Midway Sewer District
2143	NE Sammamish Sewer and Water District
2177	Olympus Terrace Sewer District
2142	Shoreline Wastewater Management District
2144	S.W. Suburban Sewer District
2147	Val Vue Sewer District

	<u>CLASSIFIED WATER DISTRICTS</u>
2303	Alderwood Water/Sewer District
2268	Annapolis Water District
2328	Birch Bay Water and Sewer District
2686	Cedar River Water and Sewer District
2684	Covington Water District
0727	Cross Valley Water District
2199	East Wenatchee Water District
2240	Highline Water District
2685	Coal Creek Utility District
2687	King County Water District No. 111
2682	King County Water District No. 125
2699	King County Water District No. 20
2705	King County Water District No. 49
2252	King County Water District No. 90
2139	Lakehaven Utility District
2296	Lakewood Water District
2277	Manchester Water District
2461	Mukilteo Water and Sewer District
2267	North Perry Avenue Water District
2140	Northshore Utility District
2314	Olympic View Water and Sewer District
2325	Pt. Roberts Water District No. 4
2246	Sammamish Plateau Water and Sewer District
2702	Shoreline Water District
2280	Silverdale Water District No. 16
2308	Silver Lake Water District
0607	Soos Creek Water and Sewer District
0666	Spokane County Water District No. 3
1596	Vera Water and Power
2330	Whatcom County Water and Sewer District No. 10
2316	Whitworth Water District No. 2
2683	Woodinville Water District

MCAGCLASSIFIED IRRIGATION DISTRICTS

1544	Badger Mountain Irrigation District
1538	Columbia Irrigation District
1600	Consolidated Irrigation District No. 19
1536	East Columbia Basin Irrigation District
1570	Greater Wenatchee Irrigation District
1541	Kennewick Irrigation District
1576	Kittitas Reclamation District
1555	Lake Chelan Reclamation District
1587	Oroville-Tonasket Irrigation District
1575	Quincy-Columbia Basin Irrigation District
1623	Roza Irrigation District
1573	South Columbia Basin Irrigation District
1626	Sunnyside Valley Irrigation District
1557	Wenatchee Reclamation District
1631	Yakima Tieton Irrigation District

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

The MD&A should include all of the components of MD&A discussed in the GASBS 34 to the extent they apply:

- ① A brief discussion of basic financial statements.
- ② Condensed comparative financial information:
  - operating revenues by major source
  - nonoperating revenues by major source
  - total revenues
  - operating expenses
  - nonoperating expenses
  - capital contributions
  - special/extraordinary items
  - transfers
  - change in net assets
  - ending net assets
- ③ Analysis of the district's overall financial position and results of operations.
- ④ Analysis of balances and transactions of individual funds.
- ⑤ Analysis of significant budgetary variations (only if the budget is legally adopted and carries the force of law).
- ⑥ Description of significant capital assets and long-term debt activity.
- ⑦ Description of significant changes in condition and estimated maintenance expenses for infrastructure assets.
- ⑧ Discussion of currently known facts, decision, or conditions.

The MD&A should not go beyond the required elements listed above.

**THIS PAGE LEFT BLANK INTENTIONALLY.**

## **STATEMENT OF NET ASSETS (or BALANCE SHEET)**

The information for this statement should be taken from the district's general ledger after closing entries are posted. Prior year information (optional) should be taken from the prior year's statement of net assets.

The statement of net assets should include those *Budgeting, Accounting and Reporting System* (BARS) general ledger accounts used by your district.

The titles on the statement are taken from the titles of BARS accounts at the appropriate level of detail for reporting. In some instances, blanks are provided rather than listing all the possible accounts. Use these blank spaces as necessary.

The left hand column should be used for current year information and the right-hand column for the previous year (optional).

If the district uses multiple enterprise funds, the funds are not required to be aggregated into a single column. However, a total enterprise fund column is necessary. If the district chooses a single column presentation, the underlying fund financial statements are required to be included in the basic financial statements.

If you have prepared a detailed statement of net assets, it is not necessary to use enclosed forms.

In June of 1991, the Governmental Accounting Standards Board (GASB) issued its Statement 14<sup>1/</sup> which defines the financial reporting entity. The Statement is effective for financial statements for periods beginning after December 15, 1992, and requires governmental entities to evaluate their relationships with other organizations (both governmental and nongovernmental).

Application of the Statement may result in the addition of a *Component Units* column (or columns) in the financial statements of the district. The following forms do not contain provisions for component units. If your district has a component unit as defined by GASB Statement 14 you will need to make the appropriate modifications to your statements. The Category 1 BARS manual discusses the reporting entity and potential component units in Part 3, Chapter 12 and provides examples of financial statements which include component units. For further information, refer to the BARS manual and the GASB Statement 14.

In June 1999, GASB approved Statement 34, *Basic Financial Statements - and Management Discussion and Analysis - for State and Local Governments*. This and consecutive statements are reflected in this reporting package.

---

<sup>1/</sup> As updated by the GASBS 39, *Determining Whether Certain Organizations Are Component Units*.

MCAG No. \_\_\_\_\_

(District Name) \_\_\_\_\_

Page 1 of 2

(COMPARATIVE)<sup>1/</sup> STATEMENT OF NET ASSETS (or BALANCE SHEET)

December 31, 20\_\_\_\_ and 20\_\_\_\_<sup>1/</sup>

<u>ASSETS</u>	20____	20____ <sup>1/</sup>
Current Assets:		
Cash and Cash Equivalents	\$ _____	\$ _____
Deposits with Fiscal Agents/Trustees	_____	_____
Temporary Investments	_____	_____
Receivables (Net):	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
Inventories	_____	_____
Prepayments	_____	_____
Other Current Assets	_____	_____
TOTAL CURRENT ASSETS	_____	_____
Restricted Assets:		
Debt Service, Deposits, Replacements	_____	_____
Construction Accounts	_____	_____
TOTAL RESTRICTED ASSETS	_____	_____
Noncurrent Assets:		
_____	_____	_____
_____	_____	_____
_____	_____	_____
Capital Assets <sup>2/</sup>		
Land	_____	_____
Plant	_____	_____
Capital Leases	_____	_____
Machinery and Equipment	_____	_____
Construction in Progress	_____	_____
_____	_____	_____
Less Accumulated Depreciation	( _____ )	( _____ )
Total Capital Assets (Net)	_____	_____
TOTAL NONCURRENT ASSETS	_____	_____
TOTAL ASSETS	\$ _____	\$ _____

The notes to financial statements are an integral part of this statement.

<sup>1/</sup> Prior year presentation is optional.

<sup>2/</sup> Presentation of details is optional. See Note 4.

MCAG No. \_\_\_\_\_

\_\_\_\_\_  
(District Name)

Page 2 of 2

(COMPARATIVE)<sup>1/</sup> STATEMENT OF NET ASSETS (or BALANCE SHEET)

December 31, 20\_\_\_\_ and 20\_\_\_\_<sup>1/</sup>

LIABILITIES

20\_\_\_\_

20\_\_\_\_<sup>1/</sup>

Current Liabilities:

Warrants Payable

\$ \_\_\_\_\_

\$ \_\_\_\_\_

Accounts/Vouchers Payable

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

TOTAL CURRENT LIABILITIES

\_\_\_\_\_

\_\_\_\_\_

Payables from Restricted Assets:

Debt Principal

\_\_\_\_\_

\_\_\_\_\_

Debt Interest

\_\_\_\_\_

\_\_\_\_\_

Deposits and Other Payables

\_\_\_\_\_

\_\_\_\_\_

TOTAL PAYABLES FROM RESTRICTED ASSETS

\_\_\_\_\_

\_\_\_\_\_

Noncurrent Liabilities:

Compensated Absences

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

TOTAL NONCURRENT LIABILITIES

\_\_\_\_\_

\_\_\_\_\_

TOTAL LIABILITIES

\_\_\_\_\_

\_\_\_\_\_

NET ASSETS

Invested in Capital Assets, Net of Related Debt

\_\_\_\_\_

\_\_\_\_\_

Restricted for \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Unrestricted

\_\_\_\_\_

\_\_\_\_\_

TOTAL NET ASSETS

\_\_\_\_\_

\_\_\_\_\_

TOTAL NET ASSETS AND LIABILITIES

\$ \_\_\_\_\_

\$ \_\_\_\_\_

The notes to financial statements are an integral part of this statement.

\_\_\_\_\_  
<sup>1/</sup> Prior year presentation is optional.

**THIS PAGE LEFT BLANK INTENTIONALLY.**



**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**(or FUND EQUITY)**

The information for this statement should be taken from the district's revenue and expense ledgers after year-end adjustments are posted but before closing the books. Prior year information (optional) should be taken from the prior year's operating statement.

The line items are taken from the statement of revenues, expenses and changes in fund net assets for proprietary funds contained in the Category 1 BARS manual. For proper classification refer to Part 1, Chapters 6 and 7 and Part 4, Chapter 3.

The left hand column should be used for current year information and the right-hand column for the previous year (optional).

If the district uses multiple enterprise funds, the funds are not required to be aggregated into a single column. However, a total enterprise fund column is necessary. If the district chooses a single column presentation, the underlying fund financial statements are required to be included in the basic financial statements.

The following forms do not contain provisions for component units. If your district has a component unit as defined by GASB Statement 14<sup>1/</sup> you will need to make the appropriate modifications to your statements. The Category 1 BARS manual discusses the reporting entity and potential component units in Part 3, Chapter 12 and provides examples of financial statements which include component units. For further information, refer to the BARS manual and the GASB Statement 14.

In June 1999, GASB approved Statement 34, *Basic Financial Statements - and Management Discussion and Analysis - for State and Local Governments*. This and consecutive statements are reflected in this reporting package.

---

<sup>1/</sup> As updated by the GASBS 39, *Determining Whether Certain Organizations Are Component Units*.

MCAG No. \_\_\_\_\_

(District Name) \_\_\_\_\_

Page 1 of 2

(COMPARATIVE)<sup>1/</sup> STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET  
ASSETS (or FUND EQUITY)

For The Year(s) Ended December 31, 20\_\_\_\_ and 20\_\_\_\_<sup>1/</sup>

OPERATING REVENUES:	20____	20____ <sup>1/</sup>
Sales of Merchandise	\$_____	\$_____
Utility Sales and Service Fees	_____	_____
Other Charges for Services	_____	_____
Other Operating Revenue	_____	_____
Total Operating Revenue	_____	_____
OPERATING EXPENSES:		
Operations:		
General Operations	_____	_____
Water Purchased for Resale	_____	_____
Contracted Processing and Operations	_____	_____
Cost of Power	_____	_____
Cost of Goods Sold	_____	_____
Maintenance	_____	_____
Customer Services and Marketing	_____	_____
Administration:		
General Administration	_____	_____
Planning, Conservation, Research and Development	_____	_____
Depreciation/Amortization/Depletion	_____	_____
Property, Excise and B&O Taxes	_____	_____
Other Operating Expenses	_____	_____
Total Operating Expenses	_____	_____
OPERATING INCOME (LOSS)	\$_____	\$_____

The notes to financial statements are an integral part of this statement.

<sup>1/</sup> Prior year presentation is optional.

(COMPARATIVE)<sup>1/</sup> STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET  
ASSETS (or FUND EQUITY)

For The Year(s) Ended December 31, 20\_\_\_\_ and 20\_\_\_\_<sup>1/</sup>

	20____	20____ <sup>1/</sup>
NONOPERATING REVENUES (EXPENSES):		
Operating Assessments and Tax Levies	_____	_____
External Operating Subsidies	_____	_____
Revenue from Merchandising, Jobbing and Contract Work	_____	_____
(Costs and Expenses of Merchandising, Jobbing and Contract Work)	_____	_____
Interest and Dividend Income	_____	_____
(Interest Expense and Related Charges)	_____	_____
Equity in Income (Loss) of Joint Ventures/ Subsidiaries	_____	_____
Gains (Losses) on Capital Asset Disposition	_____	_____
Other Nonoperating Revenues	_____	_____
(Other Nonoperating Expenses)	_____	_____
Total Nonoperating Revenues (Expenses)	_____	_____
Income Before Contributions, Transfers Extraordinary and Special Items	_____	_____
Capital Contributions	_____	_____
Transfers In (Out)	_____	_____
Extraordinary/Special Items	_____	_____
CHANGE IN NET ASSETS	_____	_____
TOTAL NET ASSETS, January 1	\$ _____	\$ _____
TOTAL NET ASSETS, December 31	\$ _____	\$ _____

The notes to financial statements are an integral part of this statement.

<sup>1/</sup> Prior year presentation is optional.

**THIS PAGE LEFT BLANK INTENTIONALLY.**

## **STATEMENT OF CASH FLOWS**

The district must present a statement of cash flows. The only acceptable method of presentation is the direct method. In using the direct method, a reconciliation of operating cash flows to operating income is required.

The statement of cash flows reports the flow of cash in four activities:

- Cash Flows from Operating Activities,
- Cash Flows from Noncapital Financing Activities,
- Cash Flows from Capital and Related Financing Activities, and
- Cash Flows from Investing Activities.

### ***Cash Flows from Operating Activities***

In reporting cash flows from operating activities, districts should report major classes of gross cash receipts and gross cash payments and their sum – the net cash flow from operating activities. Cash flows from operations include all cash related to transactions and events reported as components of operating income in the statement of revenues, expenses, and changes in fund net assets. In addition, the operating activities category is used for any cash inflow or outflow that cannot properly be classified in one of the other three categories. Districts should, at a minimum, report separately these classes of operating cash receipts and payments:

- a. Cash receipts from customers,
- b. Cash receipts from interfund services provided,
- c. Other operating cash receipts (if any),
- d. Cash payments to employees for services, Cash payments to other suppliers of goods or services,
- e. Cash payments for interfund services used, including payments in lieu of taxes that are payments for, and reasonably equivalent in value to, services provided,
- f. Other operating cash payments (if any)

The cash flows for cash receipts from customers, cash paid to employees and suppliers (item a, d and e above) may be difficult to determine, so the district may indirectly calculate these amounts. (See the worksheet at the end of this section.)

Further detail of operating cash receipts and payments should be provided if the detail is useful. Interest receipts usually do not qualify to be a part of cash flows from operating activities. Exceptions to this rule are loans that:

- 1) fulfill government social programs rather than for income or profit; and
- 2) directly benefit individual constituents of government

Program loans typically refer to loans that meet both of these exceptions. The collection of principal payments related to program loans is reported as a cash inflow in this section.

### ***Cash Flows from Noncapital Financing Activities***

This portion of the cash flows statement include:

- Borrowing and repayments (principal and interest) of debt that is not clearly attributable to capital purposes. Capital purposes include capital acquisition, construction, or improvement, including capital lease repayments.
- Borrowing to finance program loans.
- Grant proceeds not specifically restricted to capital purposes.
- Grant payments (both capital and otherwise) to other governments.
- Transfers to and from other funds (except when a transfer is received for capital purposes).
- Tax receipts not attributable to capital purposes.
- Interest paid on noncapital-related vendor payables.

### ***Cash Flows from Capital and Related Financing Activities***

This portion of the cash flows statement include:

- Borrowing and repayment (principal and interest) of debt clearly attributable to capital purposes.
- Proceeds of capital grants and contributions.
- Transfers from other funds for capital purposes.
- Payments related to the acquisition, construction, or improvement of capital assets.
- Sale or involuntary conversion of capital assets (such as insurance proceeds resulting from the loss of a capital asset).
- Capital-type special assessments.
- Tap fees in excess of the actual cost of connection (if they are to be used for capital purposes).
- Taxes levied specifically for capital purposes or related debt service.

Interest capitalization is ignored for purposes of the statement of cash flows. Interest payments should be reported as interest payments rather than as capital acquisition, even though the payments may be capitalized in the statement of net assets and not reported as interest expense in the statement of revenues, expenses, and changes in fund net assets.

### ***Cash Flows from Investing Activities***

This portion of the cash flows statement include:

- Receipt of interest (except on certain program loans).
- Loan collections (except for certain program loans).
- Proceeds from the sale of investments.
- Receipt of interest on customer deposits.
- Changes in the fair value of investments subject to fair value reporting and classified as cash equivalents.

Cash outflows in the investing activities category include:

- Loans made to others (except for program loans).
- Purchase of investments.

### **Reconciliation**

Governments are required to provide a reconciliation of the difference between cash flows from operating activities and operating income. This reconciliation should be presented either within the statement of cash flows or as an accompanying schedule to the statement.

### **Noncash investing, capital, or financing transactions**

The statement of cash flows is limited to actual inflows and outflow of cash (and cash equivalents). Therefore, financial statement users still need information on certain noncash activities that otherwise would fail to be reported either in the statement of revenues, expenses, and changes in fund net assets or in the statement of cash flows. Specifically, information is needed regarding noncash transactions that meet two criteria:

1. The transaction affects recognized assets or liabilities, and
2. The transaction would not properly have been classified as cash flows from operating activities.

This information can be presented either in a narrative or tabular format on a separate schedule accompanying the statement of cash flows.

If the district uses multiple enterprise funds, the funds are not required to be aggregated into a single column. However, a total enterprise fund column is necessary. If the district chooses a single column presentation, the underlying fund financial statements are required to be included in the basic financial statements.

MCAG No. \_\_\_\_\_

(District Name) \_\_\_\_\_

Page 1 of 2

**STATEMENT OF CASH FLOWS**  
For the Year Ended December 31, \_\_\_\_\_

**CASH FLOWS FROM OPERATING  
ACTIVITIES**

Receipts from customers	①
Payments to suppliers	(②)
Payments to employees	(③)
Internal activity – payments to other funds	(⑤)
Claims paid to outsiders	(⑤)
Other receipts (payments)	_____
Net Cash provided (used) by operating activities	_____ ④

**CASH FLOWS FROM NONCAPITAL  
FINANCING ACTIVITIES**

Operating subsidies and transfers to other funds	_____
--	-------

**CASH FLOWS FROM CAPITAL AND  
RELATED FINANCING ACTIVITIES**

Proceeds from capital debt	
Capital contributions	
Purchases of capital assets	
Principal paid on capital debt	
Interest paid on capital debt	
Other receipts (payments)	_____
Net cash provided (used) by capital and related financing activities	_____

**CASH FLOWS FROM INVESTING  
ACTIVITIES**

Proceeds from sales and maturities of investments	
Interest and dividends	
Net cash provided by investing activities	_____
Net increase (decrease) in cash and cash equivalents	_____
Balances – beginning of the year	_____
Balances – end of the year	_____

**NONCASH INVESTING, CAPITAL AND  
FINANCING ACTIVITIES**

Borrowing under capital lease	_____
Contribution of capital asset from _____	_____
Increase in fair value of investment	_____
_____	_____

**RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED)  
BY OPERATING ACTIVITIES**

Operating income (loss)	
Adjustments to reconcile operating income to net	
Cash provided (used) by operating activities:	
Depreciation expense	
Change in assets and liabilities:	
Receivables, net	
Inventories	
Accounts and other payables	
Accrued expenses	
Net cash provided by operating activities	<u>④</u>

The notes to financial statements are an integral part of this statement.



## CASH FLOW WORKSHEET

This worksheet is not mandatory, but it may help you to prepare the statement of cash flows.

### Cash received from customers:

	Operating Revenues		
Add:	Customer Receivables – Beginning		
Less:	Customer Receivables – Ending		
Less:	Increase in Bad Debt		
	Net Cash Received from Customers	<u>①</u>	See Statement of Cash Flows

### Cash paid to suppliers:

	Supplies and Materials		
Add:	Repairs and Maintenance		
Add:	Utilities		
Add:	Other Operating Expenses		
Sub total	Total Expenses Requiring Cash		
Add:	Accounts Payable – Beginning		
Less:	Accounts Payable – Ending		
	Net Cash Paid to Suppliers	<u>②</u>	See Statement of Cash Flows

### Cash paid to employees:

	Salaries and Benefits		
Add:	Salaries and Benefits Payable – Beginning		
Less:	Salaries and Benefits Payable – Ending		
Add:	Compensated Absences Payable – Beginning		
Less	Compensated Absences Payable – Ending		
	Net Cash Paid to Employees	<u>③</u>	See Statement of Cash Flows

### Cash flows from operations:

	Cash Received from Customers	①	
	Other Operating Cash Receipts (Uses)		Add receipts/Less uses
Less:	Cash Paid to Suppliers	②	
Less:	Cash paid to Employees	③	
	Net Cash Provided (Used) by Operating Activities	<u>④</u>	See Statement of Cash Flows

**THIS PAGE LEFT BLANK INTENTIONALLY.**

## **NOTES TO FINANCIAL STATEMENTS**

The notes which follow were designed to provide the minimum disclosures required for many types of classified utilities. These samples are intended to furnish you with a guide to phrasing the required disclosures. These notes are illustrative only and should be adapted to unique circumstances of your district.

**Some notes may not be applicable and should be deleted. Other notes may be necessary to assist readers in understanding the financial statements and should be added.**

The notes to financial statements are an integral part of the statements. Once you have edited these notes so that they do provide the necessary information about your district, you should type them on ordinary bond paper and attach them to your financial statements.

---

NOTES TO FINANCIAL STATEMENTS  
For The Year Ended December 31, 20\_\_\_\_(and December 31, 20\_\_\_\_)

These notes are an integral part of the accompanying financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of \_\_\_\_\_ 1/ conform to generally accepted accounting principles (GAAP) as applicable to proprietary funds of governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. In June 1999, GASB approved Statement 34, *Basic Financial Statements - and Management Discussion and Analysis - for State and Local Governments*. This and consecutive statements are reflected in the accompanying financial statements (including notes to financial statements). The following is a summary of the most significant policies (including identification of those policies which result in material departures from generally accepted accounting principles):

a. Reporting Entity

\_\_\_\_\_ 1/ is a municipal corporation governed by an elected \_\_\_\_\_ 2/ member board. As required by generally accepted accounting principles, management has considered all potential component units in defining the reporting entity. (The \_\_\_\_\_ 1/ has no component units.) (These financial statements present \_\_\_\_\_ 1/ (the primary government) and its component units. The component units discussed below are included in the district's reporting entity because of the significance of their operational or financial relationships with the district.) 3/

---

NOTES TO PREPARER: (The portions of these notes in parentheses are alternatives or additions you may need to use, depending on the particular circumstances.)

1/ Insert the official name of the district.

2/ Indicate the number of members on your board.

3/ Component units are defined in GASB Statements 14 and 39 (also see Part 3, Chapter 12 of the Category 1 *Budgeting, Accounting and Reporting System* (BARS) manual). If the district has a component unit(s) for which it is financially accountable, further disclosure of the relationship(s) is required. If the district qualifies as a component unit of another government, disclosure of that relationship is also required. In addition, GASB Statement 14 requires disclosures concerning related organizations, joint ventures and jointly governed organizations. Refer to the BARS manual and GASB Statements 14 and 39 for further information.

b. Basis Of Accounting And Presentation

The accounting records of the district are maintained in accordance with methods prescribed by the State Auditor under the authority of Chapter 43.09 RCW. (The district used the Uniform System of Accounts for Class \_\_\_\_ <sup>1/</sup> Water Utilities.)<sup>2/</sup>

The district uses the full-accrual basis of accounting where revenues are recognized when earned and expenses are recognized when incurred.<sup>3/</sup> Capital asset purchases are capitalized and long-term liabilities are accounted for in the appropriate funds.

(Unbilled utility service receivables are recorded at year end.)<sup>4/</sup> (Operating income includes gains and losses from the disposal of utility plant.)

c. Cash And Cash Equivalents

For purposes of the statement of cash flows, the district considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

d. (Utility Plant And Depreciation) (Capital Assets)

See Note \_\_\_\_\_.<sup>5/</sup>

---

NOTES TO PREPARER: (The portions of these notes in parentheses are alternatives or additions you may need to use, depending on the particular circumstances.)

<sup>1/</sup> Indicate class designation A and B, C, or D.

<sup>2/</sup> Change the title to indicate the correct system of accounts in use. If more than one system of accounts is involved, change the sentence to read "The district uses the following accounting manuals:" and list the manuals used.

<sup>3/</sup> If assessment interest and penalties are not accrued, or if other modified-accrual recognition principles are used, be sure to disclose them and to disclose that such approaches are not in accordance with general accepted accounting principles (GAAP).

<sup>4/</sup> If material utility service receivables are not accrued at year end, this should be disclosed along with the clause, "which is a departure from generally accepted accounting principles."

<sup>5/</sup> Insert the note number for disclosure of capital assets.

e. Restricted Funds

In accordance with bond resolutions (and certain related agreements) separate restricted funds are required to be established. The assets held in these funds are restricted for specific uses, including (construction,) <sup>1/</sup> debt service and other special reserve requirements. Restricted funds currently include the following:

Special Funds:	\$ _____
Debt Service Funds:	\$ _____
_____	_____
_____	_____

Assets and liabilities shown as current in the accompanying statement of net assets (or balance sheet) exclude current maturities on revenue bonds and accrued interest thereon because debt service funds are provided for their payment.

f. Receivables <sup>2/</sup>

g. Inventories

Inventories are valued at \_\_\_\_\_ <sup>3/</sup> which approximates the market value.

h. Investments <sup>4/</sup>

---

NOTES TO PREPARER: (The portions of these notes in parentheses are alternatives or additions you may need to use, depending on your particular circumstances.)

<sup>1/</sup> If the statement of net assets (or balance sheet) lists these restricted funds separately, omit this sentence. Otherwise, furnish descriptive titles for the various restricted funds in use.

<sup>2/</sup> Describe your receivables and disclose your policy for estimating and writing off uncollectible accounts.

<sup>3/</sup> Insert "FIFO - first in, first out" "average cost," etc. If "LIFO - last in, first out," is used, omit the phrase about market value.

<sup>4/</sup> Disclose the following:

- a. The methods and significant assumptions used to estimate the fair value of investments, if that fair value is based on other than quoted market prices.
- b. The policy for determining which investments, if any, are reported at amortized cost.
- c. For any investments in external investment pools that are not SEC-registered, a brief description of any regulatory oversight for the pool and whether the fair value of the position in the pool is the same as the value of the pool shares.
- d. Any involuntary participation in an external investment pool.
- e. If a district cannot obtain information from a pool sponsor to allow it to determine the fair value of its investment in the pool, the methods used and significant assumptions made in determining that fair value and the reasons for having had to make such an estimate.
- f. Any income from investments associated with one fund that is assigned to another fund.

(For more details, see the GASB Statement 31 as amended by the GASBS 40.)

For various risks related to the investments see Deposits and Investments Note No. \_\_\_\_.

The district may disclose the above information in its investment note.

i. Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation (and sick) leave. The district records unpaid leave for compensated absences as an expense and liability when incurred.

Vacation pay, which may be accumulated up to \_\_\_\_ (maximum days or weeks) \_\_\_\_, is payable upon resignation, retirement or death. Sick leave may accumulate (indefinitely or up to \_\_\_\_ hours). <sup>1/</sup>

j. Unamortized Debt Expenses

Costs relating to the sale of bonds are deferred and amortized over the lives of the various bond issues.

k. Construction Financing <sup>2/</sup>

l. Purchase Commitments <sup>3/</sup>

---

NOTES TO PREPARER:

- <sup>1/</sup> Only sick leave which is a part of retirement or termination benefit should be disclosed in this note (GASB Statement 16). Describe the policy regarding sick leave. For example:

(Upon resignation, any outstanding sick leave is lost.)

(If an employee terminates with at least ten years of service, he or she will be paid for sick leave balances up to thirty days, at one-half his or her final pay rate.)

- <sup>2/</sup> This note should disclose any cost-sharing agreements or other long-term financing or credit agreements that the district has entered into.

- <sup>3/</sup> This note should disclose any long-term purchase commitments, take-or-pay agreements, etc.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY<sup>1/</sup>

NOTE 3 – DEPOSITS AND INVESTMENTS

a. Deposits

The (district)'s deposits and certificates of deposit are entirely covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

INVESTMENTS

As of December 31, 20\_\_\_\_, the (district) had the following investments:

<u>Investments</u>	<u>Value</u>
State investment pool	_____
U.S. Treasuries	_____
Bankers' acceptance	_____
Repurchase agreements <sup>3/</sup>	_____
_____	_____
_____	_____
_____	_____
Total	=====

Custodial credit risk is the risk that in event of a failure of the counterparty to an investment transaction the (district) would not be able to recover the value of the investment or collateral securities. Of the (district)'s total position of \$\_\_\_\_\_ in \_\_\_\_\_, \$\_\_\_\_\_ is exposed to custodial credit risk because the investments are held by the (district)'s brokerage firm, which is also the counterparty in those particular securities.

---

NOTES TO PREPARER: (The portions of these notes in parentheses are alternatives or additions you may need to use, depending on your particular circumstances.)

1/ If there was a violation of finance-related legal or contractual provisions, the district should disclose both: a) the description of the violation(s), and b) the actions(s) taken to address the violation(s).

2/ If a district has deposits at the end of a fiscal period that are exposed to custodial credit risk, it should disclose the amount of those bank balances, the fact that the balances are uninsured, and whether the balances are exposed on the basis of being either (1) uncollateralized, (2) collateralized with securities held by the pledging financial institution, or (3) collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-government's name.

If the district's deposits are exposed to foreign currency risk, the district should disclose the U.S. dollar balances of such deposits, organized by currency domination.

This disclosure is required for a primary government as a whole. Risk disclosures should also be made for governmental and business/type activities, individual major funds, nonmajor funds in aggregate, or fiduciary fund types when the risk exposures are significantly greater than the deposit and investment risk of primary government.

Include all investments not evidenced by securities that exist in physical or book-entry form.

The investments should be disclosed at their book value (which normally, but not always, equals fair value).

Disclosure is limited to types of investment held at year end.

Risk disclosures applicable to investments should be reported separately by investment type. Dissimilar securities should not be aggregated into a single investment type.



Indicate type of investment(s)

Disclose custodial credit risk for investments only if unregistered/uninsured securities are held either by the counterparty or by the counterparty's trust department or agent, but not in district's name.

If applicable, provide additional disclosures for following types of risk:

- Credit risk – disclose credit ratings for investments in debt securities, whether held directly or indirectly. If a rating is not available, that fact should be disclosed. (This requirement does not apply to the debt securities of the U.S. government or obligations of the U.S. government agencies that are explicitly guaranteed by the U.S. government.)
- Concentration risk – disclose amount and issuer of investments in any one issuer that represents 5 percent or more of total investments. (This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments.)
- Interest rate risk – information should be organized by investment type and amount using one of the following methods:
  - segmented time distribution
  - specific identification
  - weighted average maturity
  - duration
  - simulation model.

Any assumption made in process of applying these methods need to be disclosed.

A district that participates in a pooled arrangement (other than a 2a7 – like external pools investment pool) should disclose interest rate risk for the pooling arrangement.

A district should also disclose (if not disclosed already) any contractual terms for debt investments that expose those investments to the risk of significant changes in fair value resulting from interest rate fluctuation.

- Foreign currency risk – disclose value of investment hold in foreign currency in U.S. dollars. Separate disclosure is necessary for each different foreign currency denomination and different type of investment within a given currency.

A district should disclose all of its policies relevant to each of different types of risks, but only for those types of risks actually faced by the government. If a city/county/district does not have a policy that covers one or more of the risks it is facing, that fact must itself be disclosed.

(For more information see GASBS 3, 28 and 40.)

Disclosures required by the GASBS 40 should also be made for securities lending collateral that is reported in the statement of net assets (or balance sheet) and for the underlying securities. (See GASBS 28, as amended by GASBS 40.)

3/ If the district uses reverse repurchase agreements, include the following:

State statutes permit the (district) to enter into reverse repurchase agreements, that is, a sale of securities with a simultaneous agreement to repurchase them in the future at the same price plus a contracted rate of interest. The fair value of the securities underlying reverse repurchase agreements normally exceeds the cash received, providing the dealers a margin against a decline in fair value of the securities. If the dealers default on their obligations to resell these securities to the (district) or provide securities or cash of equal value, the (district) would suffer an economic loss equal to the difference between the fair value plus accrued interest of the underlying securities and the agreement obligation, including accrued interest. The credit exposure at year-end was \$\_\_\_\_\_.

All sales of investments under reverse repurchase agreements are for fixed terms. In investing the proceeds of reverse repurchase agreements, the (district)'s policy is for the term to maturity of the investment to be the same as the term of the reverse repurchase agreement. Such matching existed at the year end.

- c. Derivates And Similar Transactions<sup>1/</sup>
- d. Securities Lending<sup>2/</sup>
- e. Gains And Losses On Investments<sup>3/</sup>

---

NOTES TO PREPARER:

1/ The district should provide the following disclosures for derivatives outstanding at the end of fiscal period, if the derivatives are not reported at fair value on the face of the financial statements:

- (1) Objective of the derivative,
- (2) Significant terms,
- (3) Fair value,
- (4) Associated debt, and
- (5) Risks (credit risk, interest rate risk, basic risk, termination risk, rollover risk, market – access risk). Risks should be disclosed only to the extent they are actually present.

(For details see the Technical Bulletin 2003-1, *Disclosure Requirements for Derivatives Not Reported at Fair Value on the Statement of Net Assets.*)

2/ If in the period covered by the financial statements, the district participated in the securities lending transactions, the following information should be disclosed:

- ① source of legal or contractual authorization for the securities lending transactions;
- ② general description of the securities lending transactions;
  - type of securities lent,
  - type of collateral received,
  - whether the district has the ability to pledge or sell collateral securities without a borrower default,
  - the amount by which the value of the collateral provided is required to exceed the value of underlying securities,
  - any restrictions on the amount of the loans that can be made,
  - any loss indemnification (i.e., a securities lending agent's guarantee that it will protect the lender from certain losses),
  - fair values of underlying securities at the statement of net assets (or balance sheet) date;
- ③ whether the maturities of the investments made with cash collateral generally match the maturities of their securities loans, as well as the extent of such matching at the statement of net assets (or balance sheet) date;
- ④ the amount of credit risk, if any, related to the securities lending transactions (if the lender has not credit risk, that fact should be stated);
- ⑤ the amount of any losses on the securities lending transactions during the period resulting from the default of a borrower or lending agent and amounts recovered from prior period losses, if not separately disclosed in the operating statement.

(For more details, see the GASB Statement 28, *Accounting and Financial Reporting for Securities Lending Transactions*)

3/ Districts may disclose realized gains and losses computed as the difference between the proceeds of the sale and the original cost of the investments sold. They also should disclose that:

- a. The calculation of realized gains and losses is independent of a calculation of the net change in the fair value of investments.
- b. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year were included as a change in the fair value of investments reported in the prior year(s) and the current year.

(For more details, see the GASB Statement 31.)

#### NOTE 4 - (UTILITY PLANT AND DEPRECIATION) (CAPITAL ASSETS)

Major expenses for capital assets, including capital leases and major repairs that increase useful lives, are capitalized. Maintenance, repairs, and minor renewals are accounted for as expenses when incurred. (Obligations under capital leases are disclosed in Note (Lease Commitments Note No. )).

Utility plant in service (and other capital assets) (is/are) recorded at cost (where the historical cost is known). Where historical cost is not known, assets are recorded at \_\_\_\_\_<sup>1/</sup> Donations by developers (and customers) are recorded at (the contract price and donor cost or appraised value).

Utility plant activity for the year ended December 31, \_\_\_\_\_ was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Utility plant not being depreciated:				
Land	_____	_____	_____	_____
Construction in progress	_____	_____	_____	_____
_____	_____	_____	_____	_____
<u>Total utility plant not being depreciated</u>	_____	_____	_____	_____
Utility plant being depreciated:				
Buildings	_____	_____	_____	_____
Equipment	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
<u>Total utility plant being depreciated</u>	_____	_____	_____	_____
<u>Less accumulated depreciation for:</u>				
Buildings	_____	_____	_____	_____
Equipment	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
<u>Total accumulated depreciation</u>	_____	_____	_____	_____
<u>Total utility plant being depreciated, net</u>	_____	_____	_____	_____
<b>TOTAL UTILITY PLANT, NET</b>	_____	_____	_____	_____

(The original cost of operating property retired or otherwise disposed of and the cost of installation, less salvage, is charged to accumulated depreciation.) (However, in the case of the sale of a significant operating unit or system, the original cost is removed from the utility plant accounts, accumulated depreciation is charged with the accumulated depreciation related to the property sold, and the net gain or loss on disposition is credited or charged to income.)

(An allowance for funds used during construction is capitalized as part of the cost of utility plant. While cash is not received currently from such allowance, it is realized under the rate-making process over the service life of the related property through increased revenue resulting from a higher rate base and higher depreciation expense. The procedure is intended to remove the cost of financing construction activity from the income statement and to treat such cost in the same manner as construction labor and material costs.)

NOTES TO PREPARER: (The portions of these notes in parentheses are alternatives or additions you may need to use, depending on your particular circumstances.)

<sup>1/</sup> Describe the method of valuation.

(During 20\_\_\_\_, and 20\_\_\_\_, the district capitalized \$\_\_\_\_\_ and \$\_\_\_\_\_, respectively of net interest costs for funds borrowed to finance the construction of capital assets. Interest costs of \$\_\_\_\_\_ in 20\_\_\_\_ and \$\_\_\_\_\_ in 20\_\_\_\_ were offset by interest income of \$\_\_\_\_\_ and \$\_\_\_\_\_ in respective years.

Depreciation is computed on the \_\_\_\_\_ <sup>1/</sup> method with useful lives of \_\_\_\_\_ <sup>2/</sup> to \_\_\_\_\_ <sup>2/</sup> years. (Initial depreciation on utility plant is recorded in the year subsequent to purchase.)

(Preliminary costs incurred for proposed projects are deferred pending construction of the facility. Costs relating to projects ultimately constructed are transferred to utility plant; charges that related to abandoned projects are expensed.)

\_\_\_\_\_ expenses include an impairment loss of \_\_\_\_\_ due to \_\_\_\_\_. <sup>3/</sup>

---

NOTES TO PREPARER: (The portions of these notes in parentheses are alternatives or additions you may need to use, depending on your particular circumstances.)

<sup>1/</sup> Insert “straight-line” or the particular accelerated method used.

<sup>2/</sup> Insert minimum and maximum useful lives.

<sup>3/</sup> If it is not otherwise apparent from the face of the financial statements, the district should disclose a general description, the amount, and the financial statement classification of the impairment loss.

If the district received an insurance recovery related to the impaired asset, its amount and financial statement classification should be disclosed.

The district needs to disclose the carrying amount of impaired capital assets that are idle at year-end, regardless whether the impairment is considered permanent or temporary.

(For more details see the GASBS 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*.)

#### NOTE 5 - CONSTRUCTION IN PROGRESS

Construction in progress represents expenses to date on projects whose authorizations total \$\_\_\_\_\_. <sup>1/</sup> Of the committed balance of \$\_\_\_\_\_, the district will be required to raise \$\_\_\_\_\_ in future financing. <sup>2/</sup>

#### NOTE 6 – SHORT-TERM DEBT <sup>3/</sup>

Short-term activities for the year ended December 31, \_\_\_\_\_ were as follows:

<b>Debt</b>	<b>Beginning Balance 01/01/___</b>	<b>Issued</b>	<b>Redeemed</b>	<b>Ending Balance 12/31/___</b>
_____	\$_____	\$_____	\$_____	\$_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____

#### NOTES TO PREPARER:

<sup>1/</sup> Total construction project budgets should be included here.

<sup>2/</sup> If there are numerous construction projects, this information should be presented in a schedule like the example below:

Construction in progress is composed of the following:

	<u>Project Authorization</u>	<u>Expended to 12/31/XX</u>	<u>Committed</u>	<u>Required Future Financing</u>
Water Treatment Plant	600,000	-	600,000	\$600,000
Congress Avenue Sewer Line	250,000	215,000	35,000	None
Improvement District No. 79	200,000	200,000	200,000	None
Improvement District No. 80	200,000	117,100	82,900	None
Various Projects Under \$100,000	<u>250,000</u>	<u>196,150</u>	<u>53,850</u>	<u>None</u>
	<u>\$1,500,000</u>	<u>\$1,822,250</u>	<u>\$ 771,750</u>	<u>\$600,000</u>

<sup>3/</sup> The district should provide the information about short-term debt activities (e.g., anticipation notes, use of line of credit and similar loans, etc.) during year, even if no short-term debt is outstanding at the year end.

The district should describe the purpose for which the short-term debt was issued.

NOTE 7 - LEASE COMMITMENTS

a. Operating Lease(s)<sup>1/</sup>

The (district's name) is committed under various leases for \_\_\_\_<sup>2/</sup>. These leases are considered operating leases for accounting purposes. Lease expenses for the year ended December 31, 20\_\_\_\_ amounted to \$\_\_\_\_. Future minimum rental commitments for these leases are as follows:

Fiscal Year Ending December 31:<sup>3/</sup>

20 ____	\$ _____
20 ____	_____
20 ____	_____
20 ____	_____
20 ____	_____
20 ____-20 ____	_____
Total	\$ <u>_____</u>

---

NOTES TO PREPARER:

- 1/ Prepare this part of the note for leases which are not capitalized.
- 2/ List the types of operating leases your district has.
- 3/ List the payments by year for the next five years, then add lines to show payments in five-year increments thereafter.

b. Capital Lease(s)

The (district's name) has entered into (a) lease agreement(s) for financing the acquisition of \_\_\_\_\_<sup>1/</sup>. These lease agreements qualify as capital leases for accounting purposes and are recorded as assets and as long-term liabilities at the present value of the future minimum lease payments as of the date of their inception. The district records lease payments as reductions of the long-term liability and as interest expense over the life of the lease. The future minimum lease payments under these lease agreements are as follows:

Fiscal Year Ending December 31: <sup>2/</sup>

20__	\$_____
20__	_____
20__	_____
20__	_____
20__	_____
20__-20__	_____
Less amount representing interest	_____
Present Value of Future Minimum Lease Payments	\$=====

Depreciation policy for capitalized assets is described in (Capital Assets Note No. ).

---

NOTES TO PREPARER:

<sup>1/</sup> List the assets acquired through capital leases.

<sup>2/</sup> List the payments by year for the next five years, then add lines to show payments in five-year increments thereafter.

## NOTE 8 - LONG-TERM DEBT AND LIABILITIES

### a. Long-Term Debt

Schedule 09 which accompanies this report<sup>1/</sup> contains a list of the outstanding debt at December 31, 20\_\_\_\_ (and 20\_\_\_\_<sup>2/</sup>). The annual requirements to amortize all debts outstanding as of December 31, 20\_\_\_\_, <sup>3/</sup> including interest, are as follows:<sup>4/</sup>

Fiscal Year Ending December 31: <sup>5/</sup>

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
20____	\$_____ <sup>6/</sup>	\$_____	\$_____
20____	_____	_____	_____
20____	_____	_____	_____
20____	_____	_____	_____
20____	_____	_____	_____
20____-20____	_____	_____	_____
Total	\$_____	\$_____	\$_____

(Interest on the variable – rate \_\_\_\_\_ revenue bonds is paid at the \_\_\_\_\_ rate and is reset semiannually.)

There is \$\_\_\_\_\_ in restricted assets of the district. These represent sinking funds and reserve requirements as contained in the various indentures.

There are a number of other limitations and restrictions contained in the various bond indentures. The district is in compliance with all significant limitations and restrictions.<sup>7/</sup>

The following bond issues have been refunded as of December 31, 20\_\_\_\_.

<u>Bond Issue</u>	<u>Amount Outstanding</u>
_____	\$_____
_____	\$_____
_____	\$_____
Total Refunded Bonds Outstanding	\$_____

### NOTES TO PREPARER:

- <sup>1/</sup> Instead of preparing Schedule 9, the district may present the required information in this note.
- <sup>2/</sup> If you chose to present comparative financial statements attach Schedule 09 for both years.
- <sup>3/</sup> This schedule should be for debts outstanding at the end of the latest year presented and amounts may be rounded to the nearest hundred or thousand dollars.
- <sup>4/</sup> If your district has additional debt that has been authorized but not issued, the unissued amounts should be listed here in a separate paragraph. If conduit (no-commitment) debt is reported on the statement of net assets (or balance sheet), it needs to be included in all long-term disclosures. Otherwise, the district should disclose:
- General description of transactions.
  - Aggregate amount of all conduit debt obligations outstanding at the statement of net assets (or balance sheet) date. If the amount of debt issued prior to January 1, 1996 (or prior to the date of implementation of GASB Interpretation 2) is not determinable or cannot be reasonably estimated, the district may provide the aggregate original issue amount.
  - A clear indication that the district has no obligation for the debt beyond the resources provided by related leases or loans.
- <sup>5/</sup> If you prepare comparative financial statements show the amortization amounts beginning with the year proceeding the year of your annual report. List the payments by year for the next five years and then in five-year increments.
- <sup>6/</sup> You may present separate columns for different types of debt.
- <sup>7/</sup> You may want to disclose the details of your districts compliance with some restrictions, such as the ratio of operating revenues to debt service requirements. Also, consider disclosing the detail of changes in restricted assets.



This advance refunding was undertaken to (reduce total debt service payments over the next \_\_\_\_ years by \$\_\_\_\_\_, etc.) and resulted in an economic gain of \$\_\_\_\_\_ <sup>1/</sup>

Debt service on these bonds is met by cash and investments held by the refunding trustee(s). As of December 31, 20\_\_\_\_, the trustee(s) was (were) holding cash and investments of \$\_\_\_\_\_ which are expected to fund debt service fully. These refunded bonds constitute a contingent liability of the district but are excluded from the financial statements.

b. Changes in Long-Term Liabilities

During the year ended December 31, \_\_\_\_\_, the following changes occurred in long-term liabilities:

	<b>Beginning Balance 01/01/</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance 12/31/</b>	<b>Due Within One Year</b>
Bonds payable: Revenue Bonds	\$	\$	\$	\$	\$
Less Deferred amounts: For issuance discounts On refunding					
Total bonds payable:					
Capital leases					
Compensated absences					
Claims and judgment					
Total long-term liabilities					

---

NOTES TO PREPARER: (The portions of these notes in parentheses are alternatives or additions you may need to use, depending on your particular circumstances.)

<sup>1/</sup> The economic gain or loss on a refunding transaction is calculated in the following manner:

- The present value of the debt service payments related to the refunding debt is calculated using the following formula:

Face amount of bonds  
+ Premium (or - original issue discount)  
+ Accrued interest  
- Costs not recoverable through escrow earnings

---

Present value of debt service payments on  
refunding debt;

- A calculation is made to determine what effective interest rate applied to the debt service payments on the refunding bonds would result in the present value determined in the previous calculation;
- The effective interest rate calculated for the refunding bonds is then applied to the debt service on the refunded bonds to calculate the present value of debt service on the latter;
- The difference between the present value of the two debt service streams (refunding debt and refunded debt) constitutes the economic gain or loss on the transaction.

1 NOTE 9 - PENSION PLAN

2  
3 Substantially all (district's) full-time and qualifying part-time employees participate in one of the following  
4 statewide retirement systems administered by the Washington State Department of Retirement Systems, under  
5 cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. The  
6 Department of Retirement Systems (DRS), a department within the primary government of the State of  
7 Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial  
8 statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing  
9 to: Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98504-8380.  
10 The following disclosures are made pursuant to GASB Statement No. 27, *Accounting for Pensions by State and*  
11 *Local Government Employers*.  
12

13 **Public Employees' Retirement System (PERS) Plans 1, 2, and 3**

14  
15 Plan Description

16 PERS is a cost-sharing multiple-employer retirement system comprised of three separate plans for membership  
17 purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a combination defined benefit/defined  
18 contribution plan. Membership in the system includes: elected officials; state employees; employees of the  
19 Supreme, Appeals, and Superior courts (other than judges currently in a judicial retirement system); employees  
20 of legislative committees; community and technical colleges, college and university employees (not in national  
21 higher education retirement programs); judges of district and municipal courts; and employees of local  
22 governments. PERS participants who joined the system by September 30, 1977, are Plan 1 members. Those  
23 who joined on or after October 1, 1977 and by either, February 28, 2002 for state and higher education  
24 employees, or August 31, 2002 for local government employees, are Plan 2 members unless they exercise an  
25 option to transfer their membership to Plan 3. PERS participants joining the system on or after March 1, 2002  
26 for state and higher education employees, or September 1, 2002 for local government employees have the  
27 irrevocable option of choosing membership in either PERS Plan 2 or PERS Plan 3. The option must be  
28 exercised within 90 days of employment. An employee is reported in Plan 2 until a choice is made. Employees  
29 who fail to choose within 90 days default to PERS Plan 3. PERS defined benefit retirement benefits are  
30 financed from a combination of investment earnings and employer and employee contributions. PERS  
31 retirement benefit provisions are established in state statute and may be amended only by the State Legislature.  
32

33 Plan 1 retirement benefits are vested after an employee completes five years of eligible service. Plan 1  
34 members are eligible for retirement at any age after 30 years of service, or at the age of 60 with five years of  
35 service, or at the age of 55 with 25 years of service. The annual pension is 2 percent of the average final  
36 compensation per year of service, capped at 60 percent. The average final compensation is based on the  
37 greatest compensation during any 24 eligible consecutive compensation months. If qualified, after reaching the  
38 age of 66 a cost-of-living allowance is granted based on years of service credit and is capped at 3 percent  
39 annually.  
40

41 Plan 2 retirement benefits are vested after an employee completes five years of eligible service. Plan 2  
42 members may retire at the age of 65 with five years of service, or at the age of 55 with 20 years of service, with  
43 an allowance of 2 percent of the average final compensation per year of service. The average final  
44 compensation is based on the greatest compensation during any eligible consecutive 60-month period. Plan 2  
45 retirements prior to the age of 65 receive reduced benefits. If retirement is at age 55 or older with at least 30  
46 years of service, a 3 percent per year reduction applies; otherwise an actuarial reduction will apply. There is no  
47 cap on years of service credit; and a cost-of-living allowance is granted (indexed to the Seattle Consumer Price  
48 Index), capped at 3 percent annually.  
49

50 Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member  
51 contributions finance a defined contribution component. The defined benefit portion provides a benefit  
52 calculated at 1 percent of the average final compensation per year of service. The average final compensation is  
53 based on the greatest compensation during any eligible consecutive 60-month period. Plan 3 members become  
54 eligible for retirement if they have: at least ten years of service; or five years including twelve months that were  
55 earned after age 54; or five service credit years earned in PERS Plan 2 prior to June 1, 2003. Plan 3 retirements  
56 prior to the age of 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of  
57 service, a 3 percent per year reduction applies; otherwise an actuarial reduction will apply. There is no cap on  
58 years of service credit; and Plan 3 provides the same cost-of-living allowance as Plan 2. The defined  
59 contribution portion can be distributed in accordance with an option selected by the member, either as a lump  
60 sum or pursuant to other options authorized by the Employee Retirement Benefits Board.

There are 1,167 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of September 30, 2002:

Retirees and Beneficiaries Receiving Benefits	63,756
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	19,152
Active Plan Members Vested	98,994
Active Plan Members Nonvested	55,191
<b>Total</b>	<b>237,093</b>

### Funding Policy

Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates, Plan 2 employer and employee contribution rates, and Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at 6 percent for state agencies and local government unit employees, and 7.5 percent for state government elected officers. The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. All employers are required to contribute at the level established by the Legislature. PERS Plan 3 defined contribution is a non-contributing plan for employers. Employees who participate in the defined contribution portion of PERS Plan 3 do not contribute to the defined benefit portion of PERS Plan 3. The Employee Retirement Benefits Board sets Plan 3 employee contribution rates. Six rate options are available ranging from 5 to 15 percent; two of the options are graduated rates dependent on the employee's age. The methods used to determine the contribution requirements are established under state statute in accordance with chapters 41.40 and 41.45 RCW.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2003, were as follows:

	<b>PERS Plan 1</b>	<b>PERS Plan 2</b>	<b>PERS Plan 3</b>
Employer*	1.40%	1.40%	1.40% **
Employee	6.00%	1.18%	***

\* The employer rates include the employer administrative expense fee currently set at 0.22%.

\*\* Plan 3 defined benefit portion only.

\*\*\* Variable from 5.0% minimum to 15.0% maximum based on rate selected by the PERS 3 member.

Both (district) and the employees made the required contributions. The (district's) required contributions for the years ending December 31 were as follows:

	<b>PERS Plan 1</b>	<b>PERS Plan 2</b>	<b>PERS Plan 3</b>
2003	\$	\$	\$
2002	\$	\$	\$
2001	\$	\$	\$

## NOTE 10 - SEGMENT INFORMATION <sup>1/</sup>

---

### NOTES TO PREPARER:

- <sup>1/</sup> For purposes of this disclosure, a segment is an identifiable activity or grouping of activities reported as or within an enterprise fund or another stand-alone entity that may one or more bonds or other debt instruments (such as certificates of participation) outstanding with that debt. In addition, the activity's revenues, expenses, gains and losses, assets, and liabilities are required to be accounted for separately. Segment disclosure requirements should be met by providing condensed financial statement in the notes:
- a. Type of goods or services provided by the segment.
  - b. Condensed statement of net assets:
    - (1) Total assets-distinguishing between current assets, capital assets, and other assets. Amounts receivable from other funds or component units should be reported separately.
    - (2) Total liabilities-distinguishing between current and long-term amounts. Amounts payable to other funds or component units should be reported separately.
    - (3) Total net assets-distinguishing among restricted (separately reporting expendable and nonexpendable components); unrestricted; and amounts invested in capital assets, net of related debt.
  - c. Condensed statement of revenues, expenses, and changes in net assets:
    - (1) Operating revenues (by major source).
    - (2) Operating expenses. Depreciation (including any amortization) should be identified separately.
    - (3) Operating income (loss).
    - (4) Nonoperating revenues (expenses) –with separate reporting of major revenues and expenses.
    - (5) Capital contributions and additions to permanent and term endowments.
    - (6) Special and extraordinary items.
    - (7) Transfers.
    - (8) Change in net assets.
    - (9) Beginning net assets.
    - (10) Ending net assets.
  - d. Condensed statement of cash flows:
    - (1) Net cash provided (used) by:
      - (a) Operating activities.
      - (b) Noncapital financing activities.
      - (c) Capital and related financing activities.
      - (d) Investing activities.
    - (2) Beginning cash and cash equivalent balances.
    - (3) Ending cash and cash equivalent balances.

#### NOTE 11 - DEFERRED DEBITS (CREDITS)

In accordance with generally accepted accounting principles for regulated businesses, the district has deferred (losses, costs, receipts, etc.) of \$\_\_\_\_\_ in 20\_\_ and \$\_\_\_\_\_ in 20\_\_, which will be amortized using the \_\_\_\_\_ method over \_\_\_\_\_ years. These (losses, costs, receipts, etc.) resulted from (give brief description). These (charges or credits) would have been included in net income for 20\_\_ and 20\_\_, in nonregulated businesses, but for rate-making purposes they are treated as applicable to future periods.

#### NOTE 12 - ACCOUNTING CHANGES <sup>1/</sup>

#### NOTE 13 – EXTRAORDINARY/SPECIAL ITEMS <sup>2/</sup>

---

NOTES TO PREPARER: (The portions of these notes in parenthesis are alternatives or additions you may need to use, depending on your particular circumstances.)

<sup>1/</sup> Any material changes in accounting policies (see Note 1) that could affect comparisons between two years' financial statements should be disclosed here.

<sup>2/</sup> Extraordinary items are events and transactions that are distinguished by their unusual nature and by the infrequency of their occurrence.

Thus, both of the following criteria should be met to classify an event or transaction as an extraordinary item:

- a. Unusual nature - the underlying event or transaction should possess a high degree of abnormality and be of a type clearly unrelated to, or only incidentally related to, the ordinary and typical activities of the district.
- b. Infrequency of occurrence - the underlying event or transaction should be of a type that would not reasonably be expected to recur in the foreseeable future.

Special items are significant items subject to management's control that meet one but not both of the criteria used for identifying extraordinary items (e.g., early retirement, forgiveness of substantial debt, etc.).

Descriptive captions and the amounts for individual extraordinary/special events or transactions should be presented, preferably on the face of the operation statement, if practicable; otherwise disclosure in related notes is acceptable. The nature of an extraordinary/special event or transaction and the principal items entering into the determination of an extraordinary gain or loss should be described.

NOTE 14 – PRIOR PERIOD ADJUSTMENTS <sup>1/</sup>

NOTE 15– CONTINGENT LIABILITIES AND LITIGATION <sup>2/</sup>

NOTE 16 – SUBSEQUENT EVENTS <sup>3/</sup>

---

NOTES TO PREPARER:

<sup>1/</sup> Adjustments related to prior periods (and thus excluded from the operating statements for the current period) are limited to: (a) corrections of material errors in the financial statements of a prior period; and (b) other material adjustments which meet the criteria for prior period adjustments contained in the prescribed system of accounts. The circumstances surrounding each such adjustment should be separately explained in these footnotes.

<sup>2/</sup> This note should disclose any material contingent liabilities. These are items which are uncertain now but may result in liabilities in the future, such as pending lawsuits, guarantees, etc. The following are samples of possible contingent liabilities:

The district has been named defendant in a lawsuit seeking damages of \$500,000 as a result of alleged unfair labor practices. Counsel is of the opinion that the defendants should prevail. All other lawsuits are either adequately covered by insurance or would not materially affect the financial statements.

On June 30, 1989, the utility completed its sewer reconstruction using an EPA grant. Total expenses for the project were \$750,891. As part of the grant agreement, the utility must reimburse the grantor (EPA) for any disallowed costs. To date, the project has not been audited to determine if any costs will be disallowed. The utility expects such costs, if any, will be immaterial.

<sup>3/</sup> This note should disclose any events that occurred after the financial statement date that has a material effect on the operations of the district.

NOTE 17 – JOINT VENTURES <sup>1/</sup>

---

NOTES TO PREPARER:

<sup>1/</sup> The new rules for disclosures for the joint ventures (set by GASB Statement 14) are effective for financial statements for periods beginning after December 15, 1992. The definition of joint ventures and accounting methods are discussed in the BARS manual (Category 1), Part 3, Chapter 5.

The requirements listed below are necessary regardless of whether or not there is equity interest.

The note should provide the following information:

1. General description of the joint venture including:
  - a. Information about ongoing financial interest or ongoing financial responsibility,
  - b. If applicable, information about equity interest,
  - c. Information regarding the performance of the joint venture to help users evaluate if the joint venture may cause additional benefit or burden to the participating district in the future.
2. Information about availability of separate financial statements of the joint ventures (addresses).

The participating district should also disclose information regarding related party transactions.

NOTE 18 - RISK MANAGEMENT 1/

---

NOTES TO PREPARER:

1/ If the district is a member of a public entity risk pool, insert a note provided to the district by the risk pool.

If the district retains risk (either fully or partially), the following information should be disclosed:

- description of risk to which district is exposed (e.g., torts, thefts, damages, injuries to employees, natural disasters, etc.)
- how those risks are handled (e.g., purchase of commercial insurance, full or partial retention, etc.)

For the self-insurance portion the district should disclose:

- fund(s) used to account for risk management,
- level of risk assumed,
- expected annual level of claims (based on actuarial or historical cost information),
- amount of reserves set aside for potential losses.

For the third party (e.g., commercial insurance) the district should disclose:

- name of insurer(s),
- type of coverage,
- deductible amounts.



NOTE 19 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFIT <sup>1/</sup>

In addition to the pension benefits described in Note \_\_\_\_\_, the (district's name) provides postemployment health care benefits, in accordance with (authority under which the benefit is provided) <sup>2/</sup> to (number, category) employees who (description of eligibility for the benefits). <sup>3/</sup> Currently, (number) retirees meet those eligibility requirements.

The (district's name) reimburses \_\_\_\_\_ percent of the amount of validated claims for medical, dental, and hospitalization costs incurred by pre-Medicare retirees and their dependents. The (district's name) also reimburses a fixed amount of \$\_\_\_\_\_ per month for a Medicare supplement for each retiree eligible for Medicare. <sup>4/</sup>

Employer contributions are financed on pay-as-you-go basis. <sup>5/</sup> Expenses for postemployment health care benefits are recognized as retirees report claims and include a provision for estimated claims incurred but not yet reported to the (district's name).

During the year, expenses of \$\_\_\_\_\_ were recognized for postemployment health care. <sup>6/</sup>

Approximately \$\_\_\_\_\_ of the \$\_\_\_\_\_ increase in expenses over the previous year was caused by the addition of dental benefits, effective (date). <sup>7/</sup>

---

NOTES TO PREPARER:

<sup>1/</sup> Other postemployment benefits (OPEB) are benefits provided by an employer to plan participants, beneficiaries, and covered dependents through a plan or other arrangement that is separate from a plan to provide retirement income, except for postemployment health care benefits which are always OPEB. In addition to postemployment health care benefits, OPEB may include life insurance, disability income, tuition assistance, legal services, and other assistance programs. OPEB do not include social security benefits financed through FICA payroll taxes. However, if the employer pays postemployment contributions applicable to retirees for additional Medicare benefits, those benefits should be considered postemployment health care benefits and should be included in all relevant disclosures. Whether a particular type of benefits should be consider pension benefits or OPEB depends on how the benefit is provided.

The note should be made for the district as a whole, but if aggregate disclosure would be misleading, additional separate disclosures should be made for fund types or component units.

<sup>2/</sup> Statute, contract, etc.

<sup>3/</sup> Participants currently eligible for benefits are retirees, terminated employees, and beneficiaries for whom the entity is currently responsible for paying all or part of the premiums, contributions, or claims. Covered dependents should be counted as one unit with the participant.

---

NOTES TO PREPARER: (Continued)

- 4/ Describe the district's and participants' obligation to contribute. The information must be quantified (percentage, dollars contributions rates, etc.).
- 5/ If OPEB are advance-funded on an actuarially determined basis, the employer should disclose the actuarial cost method and significant actuarial assumptions (including the interest rate, and, if applicable, the projected salary increase and the health inflation assumptions) used to determine funding requirements, and the method used to value plan assets.
- 6/ The amount should be net of participant contributions. If the benefit payments cannot be readily separated from expenses for similar types of benefits provided to active employees and their dependents, the district may use reasonable methods to approximate the OPEB expenses. If this is not possible, the note should disclose that the OPEB expenses can not be reasonably estimated.

If OPEB are advance-funded on an actuarially determined basis additional information should be provided in this paragraph:

- the number of active plan participants,
- the district's actuarially required and actual contributions for the period (net of participants contributions),
- the amount of the net assets available for the OPEB,
- the actuarial accrued liability and unfunded actuarial accrued liability for OPEB according to the actuarial cost method in use.

- 7/ Describe any significant matters that affected the comparability of the current year data with the previous periods.

Any additional information that the employer believes will help users assess the nature and magnitude of the cost of the employer's commitment to provide OPEB should also be disclosed.

**REQUIRED SUPPLEMENTARY  
INFORMATION (RSI)**

If applicable, present the following information as RSI:

- ① management discussion and analysis (MD&A) (see page 3-1)
- ② information about infrastructure assets reported under the modified approach
- ③ trend data on pension funding (GASBS 25 and 27)
- ④ public entity risk pools – revenue and claims development data (GASBS 10 and 30)

**THIS PAGE LEFT BLANK INTENTIONALLY.**

## **SUPPLEMENTAL SCHEDULES**

### **Table of Contents**

	<u>Page</u>
Schedule 09	Long-Term Debt .....9-3
Schedule 16	Expenditures of Federal Awards and State/Local Financial Assistance .....9-10
Schedule 19	Labor Relations Consultant(s).....9-19

**THIS PAGE LEFT BLANK INTENTIONALLY.**

## SCHEDULE 09 - LONG-TERM DEBT

If all the information required in this schedule is disclosed in the notes to financial statements, your district does not need to prepare a separate schedule.

This schedule provides information about the **long-term debt** of your district. It also used to corroborate the amounts of long-term debt shown on any balance sheets and the amounts of debt service (principal only) shown on operating statements.

For the Schedule 09, there are three categories of debt: general debt, revenue debt and assessment debt. A separate debt schedule should be prepared only for each category of debt. The appropriate category should be indicated at the top of each page.

Any debt category may contain numerous kinds of debt instruments. For example, general debt is not limited to general obligation bonds but can also contain bond anticipation notes, claims and judgments, installment sales contracts, lease-purchase agreements, etc.

As a practical matter, it is permissible to classify capital leases, including lease-purchase agreements, in enterprise funds as "revenue debt" and to classify all other capital leases as general debt. The existence of a fiscal funding clause (which allows termination of a lease if revenue sources become inadequate) has no effect on the classification of a lease as general or revenue debt.

Assessment debt is distinguished by those whom it will benefit, namely, properties with in a specific geographical area (i.e., a local improvement district or LID). The resources to pay assessment debt will come (at least partly) from assessments levied on the benefiting properties. These benefiting properties are called LIDs (local improvement districts), RIDs (road improvement districts), ULIDs (utility local improvement districts), and some other types such as sidewalk improvement districts.

Liability for deferred compensation, and liability for employee leave must be included in the financial statements but is not to be included on the Schedule 09. Detailed instructions for preparing the Schedule 09 follow. There should be a separate schedule for general debt, revenue debt and refunded debt of the reporting entity.

This schedule may be submitted in any format as long as the required information is provided.

### IDENTIFYING NUMBER AND DESCRIPTION

The numbers and descriptions below must be used on Schedule 09. Typical debt instruments are listed within each category of debt. The first three digits of the identification numbers correspond to the BARS general ledger accounts, which contains detailed descriptions of these instruments.

NOTE: For the Schedule 09, list all bonded debt at par. Include principal only on all debt. Do not include any interfund debt, liabilities for deferred compensation, employee leave benefits or any short-term debt (less than one year). Generally, construction contracts are not considered debt except to the extent the contractor has performed

**I.D. No. GENERAL DEBT** - Debt backed by the government's full taxing authority.

- 251.11 General Obligation Bonds for Capital Purposes - (No Vote Required)
- 251.12 General Obligation Bonds for Capital Purposes - (Vote Required)
- 251.15 General Obligation Bonds for Capital Purposes - Advance Refunding - Defeasance Method
- 251.16 General Obligation Bonds for Capital Purposes - Advance Refunding - Crossover Method
- 251.41 General Obligation Bonds for M and O Purposes - (No Vote Required)
- 251.42 General Obligation Bonds for M and O Purposes - (Vote Required)
- 251.45 General Obligation Bonds for M and O Purposes - Advance Refunding - Defeasance Method
- 251.46 General Obligation Bonds for M and O Purposes - Advance Refunding - Crossover Method
- 263.11 Claims and Judgments (Long-Term Only)
- 263.51 Installment Sales Contracts
- 263.53 Lease-Purchase Agreements
- 263.55 Other Capital Leases
- 263.61 Anticipation Notes and Warrants for Capital Purposes (Including Bond Anticipation Notes and Tax Anticipation Notes)
- 263.64 Anticipation Notes and Warrants for M and O Purposes (Including Bond Anticipation Notes and Tax Anticipation Notes)
- 263.66 Other Notes Payable for Capital Purposes
- 263.68 Other Notes Payable for M and O Purposes
- 263.81 Due to Other Governmental Units for Capital Purposes (Long-Term Only. An Example is the Amount Due to the State Retirement System for Pension Systems Prior to PERS and LEOFF.)
- 263.84 Due to Other Governmental Units for M and O Purposes (Long-Term Only)
- 263.91 Miscellaneous Long-Term General Debt for Capital Purposes
- 263.94 Miscellaneous Long-Term General Debt for M and O Purposes

**I.D. No. REVENUE DEBT** - Debt backed by specific revenue sources.

- 252.11 Revenue Bonds for Capital Purposes - (No Vote Required)
- 252.12 Revenue Bonds for Capital Purposes - (Vote Required)
- 252.15 Revenue Bonds for Capital Purposes - Advance Refunding - Defeasance Method
- 252.16 Revenue Bonds for Capital Purposes - Advance Refunding - Crossover Method
- 252.41 Revenue Bonds for M and O Purposes - (No Vote Required)
- 252.42 Revenue Bonds for M and O Purposes - (Vote Required)
- 252.45 Revenue Bonds for M and O Purposes - Advance Refunding - Defeasance Method
- 252.46 Revenue Bonds for M and O Purposes - Advance refunding - Crossover Method
- 263.12 Claims and Judgments (Long-Term Only)
- 263.41 Revenue Warrants (Coupon Warrants) for Capital Purposes
- 263.44 Revenue Warrants (Coupon Warrants) for M and O Purposes
- 263.52 Installment Sales Contracts
- 263.54 Lease-Purchase Agreements
- 263.56 Other Capital Leases
- 263.62 Anticipation Notes and Warrants for Capital Purposes (Including Bond Anticipation Notes and Tax Anticipation Notes)
- 263.65 Anticipation Notes and Warrants for M and O Purposes (Including Bond Anticipation Notes and Tax Anticipation Notes)
- 263.67 Other Notes Payable for Capital Purposes
- 263.69 Other Notes Payable for M and O Purposes
- 263.82 Due to Other Governmental Units for Capital Purposes (Long-Term Only)
- 263.85 Due to Other Governmental Units for M and O Purposes (Long-Term Only)
- 263.92 Miscellaneous Long-Term Revenue Debt for Capital Purposes
- 263.95 Miscellaneous Long-Term Revenue Debt for M and O Purposes

**NOTE:** M and O refers to Maintenance and Operation.



I.D. No. **ASSESSMENT DEBT** - Debt secured by assessments levied against a specific group of properties.

- 253.11 Special Assessment Bonds - LID
- 253.12 Special Assessment Bonds - ULID
- 253.13 Special Assessment Bonds - RID
- 253.14 Special Assessment Bonds - Other
- 253.15 Special Assessment Bonds - Advance Refunding - Defeasance Method
- 253.16 Special Assessment Bonds - Advance refunding - Crossover Method
- 263.43 LID Warrants
- 263.63 LID Notes
- 263.99 Miscellaneous Long-Term Assessment Debt

IDENTIFYING NUMBER - Include appropriate number (see listing on previous page).

PURPOSE - Describe the purpose(s) for which the debt proceeds were spent.

DATE OF ORIGINAL ISSUE / DATE OF MATURITY - These columns are self-explanatory.

(1) BEGINNING OUTSTANDING DEBT This column should include the amount of debt that was owed at the beginning of this period. The amount shown should equal to the last year ending balance. If there is a discrepancy, attach an explanation.

(2) AMOUNT ISSUED - CURRENT PERIOD In this column report the entire amount of any new debt or any additional debt issued (or borrowed) during the current period. For example, assume a G.O. bond authorized in the previous year at \$5,000,000, with \$4,000,000 issued that year and an additional \$500,000 issued in the report year. Under these circumstances, this column should show \$500,000.

(3) AMOUNT REDEEMED THIS PERIOD In this column, report the amount of debt that was paid this period. Do not include interest paid on the redeemed debt. The total amount in this column should equal to long-term debt payments shown on the Schedule 05.

(4) ENDING OUTSTANDING DEBT In this column, report the amount of debt that is owed at the end of this period.

Ending outstanding debt, column (4), is calculated by adding the amounts in columns (1) and (2) and subtracting redeemed debt in column (3).

$$(1) + (2) - (3) = (4)$$

Total the last five columns for each debt type.



SAMPLE DISTRICT  
(DISTRICT NAME)☐ G.O. Debt  
☒ Revenue Debt  
☐ Assessment Debt**SCHEDULE OF LONG-TERM DEBT****For The Year Ended December 31, 2004**

				(1)	(2)	(3)	(4)
I.D. NO.	PURPOSE	DATE OF ORIGINAL ISSUE	DATE OF MATURITY	BEGINNING OUTSTANDING DEBT 01/01/2002 (ENDING OUTSTANDING DEBT BALANCE FROM PRIOR YEAR)	AMOUNT ISSUED IN CURRENT YEAR	AMOUNT REDEEMED IN CURRENT YEAR	ENDING OUTSTANDING DEBT 12/31/2002 (1) + (2) - (3)
252.11	Refunding 1998 Revenue Bonds	1/99	1/19	\$1,400,000	C	\$450,000	\$950,000
263.52	New Main	8/96	8/06	\$130,000	C	\$30,000	\$100,000
	Total Revenue Debt			\$1,530,000	C	\$480,000	\$1,050,000

MCAG NO. 9999

Schedule 09  
Page 3 of 3

SAMPLE DISTRICT  
(DISTRICT NAME)

☐ G.O. Debt  
☐ Revenue Debt  
☒ Assessment Debt

**SCHEDULE OF LONG-TERM DEBT**

**For The Year Ended December 31, 2004**

				(1)	(2)	(3)	(4)
I.D. NO.	PURPOSE	DATE OF ORIGINAL ISSUE	DATE OF MATURITY	BEGINNING OUTSTANDING DEBT 01/01/2002 (ENDING OUTSTANDING DEBT BALANCE FROM PRIOR YEAR)	AMOUNT ISSUED IN CURRENT YEAR	AMOUNT REDEEMED IN CURRENT YEAR	ENDING OUTSTANDING DEBT 12/31/2002 (1) + (2) - (3)
253.12	Transmission Main	11/94	11/05	\$725,000	C	\$125,000	\$600,000
	Total Assessment Debt			\$725,000	C	\$125,000	\$600,000

[illegible]

## SCHEDULE 16 - EXPENDITURES OF FEDERAL AWARDS AND STATE/LOCAL FINANCIAL ASSISTANCE

The schedule of expenditures of federal awards and state/local financial assistance is an essential document for planning and conducting the audit of your district. It also serves to provide assurance to those agencies who award financial assistance that their programs or grants were included in the audit. It is important to prepare this schedule carefully to ensure that it is accurate and complete. Any program or grant omitted from this schedule will be considered unaudited. This schedule should be prepared on the same basis of accounting as the financial statements.

Schedule 16 is comprised of two schedules: (1) schedule of expenditures of federal awards and (2) schedule of state and local financial assistance.

### **Schedule of Expenditures of Federal Awards**

Include on this schedule all expenditures of federal awards that were received directly from a federal agency and indirectly from a state agency or local government. This schedule should be prepared for the year in which federal awards are expended. Preparation of this schedule should not be based on the date(s) that funds are received (e.g., advances or reimbursement). "Federal awards expended" include the following:

- Expenditure transactions associated with grants, cost-reimbursement contracts, cooperative agreements, and direct appropriations;
- Disbursement of funds passed through to subrecipients;
- Receipt of loan proceeds under loan and loan guarantee programs;
- Receipt of federal property and surplus property;
- Receipt or use of program income (see revolving loan exception below);
- Distribution or consumption of food commodities;
- Disbursement of amounts entitling a non-federal entity to an interest subsidy; and
- Insurance contracts in force during the period under audit.

List all awards from the same federal agency together on the schedule (for example, group all HUD awards together). Next, within each federal agency section, list all direct awards first followed by indirect awards.

Provide subtotals for programs with the same Catalog of Federal Domestic Assistance (CFDA) number. Also provide subtotals for assistance received directly and assistance received indirectly. Provide a total for each federal agency.

It is important to note that the "expenditures" reported on the Schedule of Expenditures of Federal Awards will not necessarily tie to those reported on the operating statement, especially if the federal awards include loans, insurance, or commodities. However, all amounts reported should agree or reconcile to records maintained by finance, budget, and treasury departments.

## **Valuation of Federal Loans and Noncash Assistance**

Use the following guidelines to calculate the value of “federal awards expended” under loan programs:

- (1) Amount of new loans received during the fiscal year, plus
- (2) Balance of loans from previous years for which the federal government imposes continuing compliance requirements, plus
- (3) Any interest subsidy, cash, or administrative cost allowance received.

NOTE: Loans, the proceeds of which were received and expended in prior years, are not considered federal awards expended when the laws, regulations, and the provisions of contracts or grant agreements pertaining to such loans impose no continuing compliance requirements other than to repay the loans

**Noncash Assistance:** Food Stamps, food commodities, donated property, and donated surplus property should be valued at fair market value at the time of receipt or the assessed value provided by the federal agency. The notes to the schedule of expenditures of federal awards should disclose the nature of the amounts reported.

**Revolving Loans:** According to the federal regulations, repayments of principal and interest are considered program income (revenues) and loans of such funds to eligible recipients are considered expenditures. For purposes of Schedule 16, report only the amount of loan funds expended during the year.

## **Notes to Preparer**

Often federal financial assistance received indirectly is a mix of federal and state or local money. If possible, identify the different sources and list them on appropriate schedules (i.e., the federal share on the *schedule of expenditures of federal awards* and the state or local portion on the *schedule of state and local financial assistance*. If the state or local portion cannot be identified, list the entire amount on the *schedule of expenditures of federal awards* and describe the commingled nature of the funds in *the notes to the schedule of expenditures of federal awards*.

The funds received as *fee for services* should not be included on the Schedule 16.

Records must agree or reconcile to those in finance, budget and treasury departments.

Column 1 Provide the name of the grantor agency or organization followed by the name of each program for that agency. Please clearly distinguish between federal agencies and state agencies with similar names or initials. If you receive federal funds indirectly, identify the state pass-through agency. Identify noncash awards in this column also.

Column 2 List the applicable CFDA number for each program. This is a five digit (XX.XXX) identification number assigned by the federal government and published in the Catalog of Federal Domestic Assistance. This number must be provided for all federal awards received either directly from a federal agency or indirectly through a state agency or local government.

Every effort should be made to obtain CFDA numbers. If the number is not provided on the award agreement or contract, contact the granting agency and request the number.

If you are unable to obtain the CFDA number, write “unknown”.

Column 3 Use this column to report contract or grant numbers assigned by federal or state agencies, in addition to the CFDA number. If a number is not available, write “N/A.”

Column 4 Use this column to report current year expenditures (determined on the same basis of accounting as the financial statements). See requirements for valuing loans and noncash assistance above.

**Notes to Schedule:** At minimum, the notes to the schedule should disclose the basis of accounting and any other significant accounting policies used in preparing the schedule. Also provide any information that may be useful to the reader.

SAMPLE DISTRICT, WASHINGTON  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For The Year Ended December 31, 2004**

1	2	3	4	
Grantor/ Pass-Through Grantor/ Program Title	CFDA Number	Other Identification Number	Current Year Expenditures	
U.S. Dept of Agriculture Direct Programs:				
Water & Waste Disposal Systems (Loan)	10.418	L-97-48	\$623,500	Note 4
Water & Waste Disposal Systems	10.418	C-530776-02-0	300,000	
<u>Total Department of Agriculture</u>	10.418		<u>\$923,500</u>	Note 2
U.S. Dept of HUD Indirect Award from WA CTED:				
Community Development Block Grant	14.218	B-98-UC-83-0210	\$207,720	
Community Development Block Grant	14.218	B-97-UC-63-0701	247,500	
Community Development Block Grant (Loan Program)	14.218	L-97-50	46,233	Note 3
Total CFDA Number	14.218		<u>501,453</u>	Note 2
Rental Rehabilitation Program	14.230	S98-UC5-00361	45,000	
<u>Total Department of Housing and Urban Development</u>			<u>\$546,453</u>	
U.S. Dept of Transportation Direct Programs:				
Taxiway	20.106	3-52-0156-09	\$515,000	
Airport Improvement Program	20.106	Not Available	674,634	
Total CFDA Number	20.106		<u>1,189,634</u>	Note 2
Noise Reduction	20.102	3-47-175-NI	45,000	
			<u>1,234,634</u>	
U.S. Dept of Transportation Indirect Award From WA State				
D.O.T.:				
Boating Safety Program	20.205	90-145-018	\$150,000	
Highway Planning and Construction	20.205	ER-9001(003)	6,750	
Total CFDA Number	20.205		<u>156,750</u>	
<u>Total Department of Transportation</u>			<u>\$1,391,384</u>	
Federal Emergency Management Agency Indirect Award From WA				
C.T.E.D:				
<u>FEMA Disaster Assistance</u>	83.516	10-254-TH	<u>\$43,750</u>	
U.S. Dept of Health and Human Services Indirect Award				
From WA D.S.H.S:				
Maternal Child Health	93.994	1620-01579	\$51,223	
Maternal Child Health (vaccine)	93.994	1620-01579	64,768	Note 5
Total CFDA Number	93.994		<u>115,991</u>	
Childhood Immunization (vaccine)	93.268	1620-01579	47,070	Note 5
Alcohol/Drug Abuse	93.992	1440-83463(2)	12,667	
<u>Total Department of Health and Human Services</u>			<u>\$175,728</u>	
<u>TOTAL FEDERAL AWARDS EXPENDED</u>			<u>\$3,080,815</u>	

The Accompanying Notes To The Schedule Of Expenditures of Federal Awards Are An Integral Part Of This Schedule.



SAMPLE DISTRICT, WASHINGTON  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1 - BASIS OF ACCOUNTING

This schedule is prepared on the same basis of accounting as the district's financial statements. The district uses the (describe the basis of accounting used by the district).

NOTE 2 - PROGRAM COSTS

The amounts shown as current year expenditures represent only (federal/state/local) grant portion of the program costs. Entire program costs, including the district's portion, may be more than shown.

NOTE 3 - REVOLVING LOAN - PROGRAM INCOME

The district has a revolving loan program for low income housing. Under this federal program, repayments to the district are considered program revenues (income) and loans of such funds to eligible recipients are considered expenditures. The amount of loan funds disbursed to program participants for the year was \$\_\_\_\_\_ and is presented in this schedule. The amount of principal and interest received in loan repayments for the year was \$\_\_\_\_\_.

NOTE 4 - FEDERAL LOANS

The district has been approved by the Farm Home Administration to receive a loan totaling \$\_\_\_\_\_ to build a sewer treatment plant.

The district also has prior year federal loans outstanding with balances totaling \$\_\_\_\_\_. Both current and prior year loans are reported on the district's Schedule of Long-Term Debt.

NOTE 5 - NONCASH AWARDS

The amount of (vaccine/dental items/commodities/surplus property/etc.) reported on the schedule is the value of (vaccine/dental items/commodities/surplus property/etc.) distributed by the district during current year and priced as prescribed by \_\_\_\_\_.

(DISTRICT NAME)

**(DISTRICT NAME)**

**For The Year Ended December 31, \_\_\_\_\_**

*The Accompanying Notes To The Schedule Of Expenditures of Federal Awards Are An Integral Part Of This Schedule.*

### **Schedule of State and Local Financial Assistance**

List on this schedule all expenditures from grants received directly or indirectly from state agencies (334), grants from other local governments (337), and program income. Expenditures from state shared revenues, apportionments, entitlements (BARS resource codes 335 and 336), and loans do not need to be included on this schedule.

List separately expenditures from state and local grants. Provide a subtotal for both categories and a total for the entire schedule. In addition, list together all expenditures from grants received from the same state agency.

#### **Notes to preparer**

Often federal financial assistance received indirectly is a mix of federal and state or local money. If possible, identify the different sources and list them on appropriate schedules (i.e., the federal share on the *schedule of expenditures of federal awards* and the state or local portion on the *schedule of state and local financial assistance*. If the state or local portion cannot be identified, list the entire amount on the *schedule of expenditures of federal awards* and describe the commingled nature of the funds in the *notes to the schedule of expenditures of federal awards*.

The funds received as *fee for services* should not be included on the Schedule 16.

Records must agree or reconcile to those in finance, budget and treasury departments.

- |          |  |
|----------|--|
| Column 1 | Provide the name of the grantor agency or organization followed by the name of each program for that agency. Please clearly distinguish between agencies with similar names or initials. |
| Column 2 | Use this column to report grant, contract or award numbers assigned by state or local agencies. If a number is not available, write "N/A."   |
| Column 3 | Use this column to report current year expenditures (determined on the same basis of accounting as the financial statements).  |

**SCHEDULE OF STATE AND LOCAL FINANCIAL ASSISTANCE****For The Year Ended December 31, 2004**

1	2	3
Grantor / Program Title	Identification Number	Current Year Expenditures
WA State Energy Office:		
Energy Code Enforcement	1-90-743-09	\$68,822
<u>Total WA State Energy Office</u>		<u>\$68,822</u>
Department of Transportation:		
Division of Aeronautics	GC9434	\$5,692
Street Improvement	8008C011	122,500
<u>Total Department of Transportation</u>		<u>\$128,192</u>
Department of Social and Health Services:		
Child Protective Services	6500-85008	\$22,410
<u>Total Department of Social and Health Services</u>		<u>\$22,410</u>
Department of Health:		
Maternal Child Health	1620-01579	\$75,000
Immunization; vaccine	1620-01579	58,890
Shellfish	2600-02240	8,620
<u>Total Department of Health</u>		<u>\$142,510</u>
<u>TOTAL STATE ASSISTANCE</u>		<u>\$361,934</u>
EMS Regional Council	N/A	\$15,113
City of Sample; Arts Grant	12345-678	3,115
<u>TOTAL LOCAL ASSISTANCE</u>		<u>\$18,228</u>
<u>TOTAL STATE AND LOCAL ASSISTANCE</u>		<u>\$380,162</u>

Note 5

---

**(DISTRICT NAME)**

**For The Year Ended December 31, \_\_\_\_\_**

(Rev. 1/04)

## SCHEDULE 19 - LABOR RELATIONS CONSULTANT(S)

The 1993 Legislature has required the State Auditor's Office to collect information regarding the role labor relations consultants play in local governments. This reporting requirement is found in RCW 43.09.230, as amended by the 1993 Legislature. The statute provides that "the legislature finds and declares that the use of outside consultants is an increasing element in public sector labor relations. The public has a right to be kept informed about the role of outside consultants in public sector labor relations. The purpose of this act is to help ensure that public information is available."

*Labor relations* is a broad spectrum of activities which concern the relationship of employees as a group with the local government as employer. It includes employee representation issues, negotiation of contracts, and preparation and conduct of interest arbitrations.

A *labor relations consultant* is someone who agrees to perform such services for compensation. For example, a labor relations consultant includes an attorney or other professional engaged by the local government to negotiate a collective bargaining agreement. It would not include a firm engaged to establish a personnel manual or to prescreen job applicants. The determining factor is the substance of services the consultant has been engaged to perform.

This schedule is used to identify expenses for labor relations consultants: Disclosure should include identification of each consultant and the terms and conditions of each agreement.

The schedule is required to be filed with the State Auditor's Office whether or not your district has labor relations consultants. Prepare a schedule for each consultant. Alternative formats are acceptable, including spreadsheets, as long as the required information is provided.

MCAG NO. \_\_\_\_\_

Schedule 19

\_\_\_\_\_  
(DISTRICT NAME)

**SCHEDULE OF LABOR RELATIONS CONSULTANT(S)**

**For the Year Ended** \_\_\_\_\_

Has your government engaged labor relations consultants? \_\_\_\_ Yes \_\_\_\_ No

If yes, please provide the following information for each consultant(s):

Name Of Firm
Name Of Consultant
Business Address
Amount Paid To Consultant During Fiscal Year
Terms And Conditions, As Applicable, Including: Rates (e.g., hourly, etc.) _____ Maximum Compensation Allowed _____ Duration Of Services _____ Services Provided _____ _____

Certified Correct this _____ day of _____, 20____ to the best of my knowledge and belief:
Signature
Name
Title

**THIS PAGE LEFT BLANK INTENTIONALLY**